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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002920

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TAGS: ECON ETRD EIND PREL CH TW
SUBJECT: CROSS-STRAIT STANDARDS ORGANIZATION DOWNPLAYS
COOPERATION WITH PRC

REF: 05 TAIPEI 3048

Classified By: AIT Deputy Director Robert S. Wang, Reason 1.4 d

¶1. (C) Summary: Sinocon, the Taiwan IT industry
association that has taken the lead in discussions with
the PRC on industry standards, downplayed the level of
cooperation in a conversation with AIT/T. Cooperation is
still at an early stage, but as the importance of the PRC
market continues to grow for Taiwan IT manufacturers,
their interest in working with the PRC on industry
standards will only increase. End summary.

¶2. (C) On August 11, AIT econoff met with CEO Kenneth Lin
of the Sinocon Industrial Standards Foundation to discuss
efforts of Taiwan firms to cooperate with PRC counterparts
and the Chinese government on industrial standards.
Sinocon was founded in the spring of 2005 to act as a
window for Taiwan industry to communicate with the PRC on
standards. It was created shortly after then KMT Chairman
Lien Chan's first visit to the PRC and has close ties to
the Pan-Blue opposition. KMT Vice Chairman P.K. Chiang is
Chairman of Sinocon.

Downplaying Standards Cooperation

¶3. (C) Lin and his colleagues, Deputy CEO Catherine Chiu
and Chief Consultant Pang Chien-kuo, downplayed Taiwan
industry efforts to cooperate with the PRC on the
establishment of new industrial standards. Lin said that
Sinocon and its members were still in the very early
stages of working with the PRC on standards. They
emphasized Sinocon's role as a channel of communication
with the PRC. Sinocon recently sponsored the May 9-17
Cross-Strait Technology Standards Forum in Taiwan. PRC
Information Technology Vice Minister Jiang Yao-ping
participated in the forum where topics included standards
for audio and video coding, third generation cellular
phone (TD-SCDMA), mobile storage, flat panel displays,
green electrical power, and semiconductor lighting
equipment. When asked about specific examples of Taiwan
firms or organizations providing concrete assistance in
developing or promoting PRC industrial standards, Lin and
his associates claimed that cooperation had not yet
reached that level.

Putting the Best Face on Taiwan and PRC Intentions
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¶4. (C) In describing Taiwan motives for cooperating with the PRC on the development of standards, Pang focused on the desire of Taiwan firms to know more about what the PRC was doing. He said that the PRC's actions on developing standards lacked transparency and Sinocon's efforts were aimed primarily at improving communication. Pang also highlighted the efforts of other foreign firms, such as Microsoft, Philips and Siemens, to get involved in the PRC's standards development process. He noted that Taiwan firms don't want to be marginalized from this process.

¶5. (C) Pang and Chiu offered their thoughts on the PRC's strategy in developing and promoting its own industrial standards. Chiu described the difficulties that faced DVD player manufacturers in the PRC as fierce competition with each other forced down prices. Royalties for the DVD standards remained steady, accounting for an ever increasing portion of the total production cost. Chiu commented that the PRC wants to avoid repeating this scenario for other hi-tech products. Pang added that the PRC had learned a lesson from the International Organization for Standardization's (ISO) rejection of the WAPI standard and now agrees that adoption of standards must be driven by market forces. He said the PRC sees itself evolving from the "global factory" to the "global market" and is intent on using that market influence to promote locally-developed standards.

Taiwan Authorities Offer Only Tacit Support

¶6. (C) According to Chiu, the Taiwan authorities' reaction to the work of Sinocon has been one of quiet, tacit support. Pang, a former People First Party (PFP) member

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of the Legislative Yuan (LY), said that he had once proposed in the LY that Taiwan establish an official window to work with the PRC on standards cooperation. At the time, the ruling Democratic Progressive Party (DPP) rejected the proposal. However, the Mainland Affairs Council and other government agencies, he said, do not object to Sinocon's current efforts and offer tacit support by approving their requests to travel to the Mainland for standards discussions and allowing the PRC's Jiang to come to Taiwan.

Comment - More to Come

¶7. (C) Lin and his colleagues were wary in discussing Sinocon's activities probably because they are well aware of U.S. concerns that PRC efforts to promote its own industrial standards obstruct the market forces that should determine global standards and potentially create barriers to market access. Much of their commentary seemed aimed at assuaging those concerns, but it is clear that Taiwan firms believe their interests lie in cooperating with PRC efforts. At this stage, we believe that cross-Strait cooperation on standards is still only preliminary with few concrete results to date. However, with PRC domestic consumption accounting for an increasing proportion of Taiwan's industrial output, the desire of Taiwan firms to cooperate with Mainland counterparts on standards will only grow.
YOUNG